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Economic Conditions
Governmental Finance
United States Securities

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General Business Conditions

THE first quarter of 1925 registered the largest volume of railway tonnage and the largest volume of payments through banks ever recorded in the corresponding period of any year. The year started with many expressions of confidence by prominent people in the business world, and although these expressions may have produced exaggerated expectations they have been well justified to this time. The first month had not passed before murmurs of disappointment were heard, and these have been swelling until they seem to be almost the dominant note, but disappointment is chargeable as much to expectations as to realizations. Everything in the world is good or bad by comparison with something else, the state of business being no exception. The state of business last summer was bad and the conditions not such as to encourage optimism for the future. A decided change had come over the scene by the end of the year, and the expression of confidence at that time signified relief from apprehension and a belief that conditions had improved fundamentally.

That the world had reached an ideal state of equilibrium with price relations nicely adjusted, purchasing-power everywhere restored, all ready for an unhampered flow of products into consumption, nobody had any right to believe. The conditions had become better than they were, although with much yet to be desired. That situation remains true. It is idle to even talk about the outlook for prosperity without giving thought to the requisite conditions. There is no mystery about prosperity. It is simply a state of free and ready exchange of goods and services, wherein everybody is able to use the purchasing power which exists in his own labor, in buying the products and services of others. It is not something which in modern industrial society any individual or group can enjoy independently, for modern society serves itself by organized effort and exchange, and no section of it can either market its products or supply its needs unless other sections are doing likewise.

The Disruption of Price-Relations

We have often endeavored to emphasize that the instability of business since the war has been mainly due to the disorganization of industry the world around and the disruption of price-relations incidental to the violent changes in wages and prices. It is a common saying that the industrial capacity of the country is over-developed, and therefore cannot be employed continuously to the full. It is doubtless true that certain industries were over-developed in proportion to the others under the stimulus of war demands, but the main difficulty is not in the amount of production, but in the price-relations. There is over-production in many instances, at the price. There cannot be a free and full interchange of products unless the price-relations are right for it.

It is not difficult to look over the industrial situation and name features of it which are a drag on prosperity. The conditions in the coal industry are an example. It was over-stimulated and over-developed during the war and has not adjusted itself to natural or economical peace conditions. An enormous economic waste is going on, which is a charge upon all industry. Wage rates are very high, but owing to the amount of unemployment actual wages are low, and the purchasing power of the miners as a body is not proportionate to the cost of coal to the other industries.

A similar condition has existed in the cotton goods industry, where, according to a recent report of the Bureau of Labor, wage-rates in 1924, averaged 151 per cent of the 1913 level. Cotton goods are bought by the masses of the people, most of whose incomes have not been increased 151 per cent, and of necessity they have bought less either of cotton goods or something else. Moreover, owing to unemployment in the cotton goods industry these wage-rates, although effective in the price of cotton goods, were not effective to any like extent in the purchasing power of cotton-mill operatives. There has been no corresponding back-flow to the other industries.

The high cost of building is reflected in rents, which take a larger proportion of average earnings than has been usual in the past.

Every such disproportionate demand means that there must be curtailment in some other line of expenditures. The National Industrial Conference Board, which has recently made an extensive investigation of housing conditions, reports that the tendency of rents is now downward.

The cotton goods situation has effected some reduction of costs recently, and there are signs of changes under way in the coal industry. Properties are changing hands, consolidations are being effected, improved machinery is being developed, and it seems probable that under great stress and at great cost to individuals the industry eventually will be brought down to a more economical basis of operations, the surplus labor supply finding employment in other industries. It would be better for all concerned if these changes could be facilitated by general cooperation. Other necessary readjustments might be named, but everywhere high industrial costs are stimulating the study of more economical methods, and the results are tending to restore the accustomed price relationships. It is enough to say of present conditions that they are better than in any other year since the great upheaval took place.

Of course a complete state of equilibrium never has been known and is out of the question. The industries are undergoing constant change, and where any one is out of line in costs or prices with prevailing conditions in the others it is bound to be subject to pressure until a readjustment is effected.

Meanwhile complaints that profits are not what they ought to be will be heard. Profits are made by the managements which are able to master for themselves the difficulties with which they are confronted. It is not a normal state of industry in which everybody is making satisfactory profits. Usually the most enterprising and successful are making hard times for the others, which simply means that industry is always moving upward to higher levels of efficiency and that individuals must adapt themselves to this tendency.

The General State of Trade

In all lines buying is closely confined to immediate needs, and this has been the rule for so long that it has become practically an assurance that stocks in dealers' and consumers' hands are light, and that buying must be continuous unless consumption declines. There is no reason to think that consumption will decline below the present level. It is not as high as it conceivably might be, and changes should be in the direction of an increase, but there is nothing in sight to cause a decrease.

Foreign trade is very large, and for the nine months of the fiscal year ended March 31st exports of the United States exceeded imports by $945,000,000, which compares with an excess of about $670,000,000 in the corresponding period of the last fiscal year. In the three months of 1925 the excess has been over $200,000,000. Gold exports have dropped to low figures and imports also are light, as the foreign loans being made here afford the means of settling the trade balance. There is still an open question as to how our exports will hold up if we cease making loans to Europe. The trade and debt situation is an anomaly, but few people pay any attention to it, trusting that it will somehow settle itself. No doubt it will do this, but possibly in ways that will command more attention than is being given to the matter now. However, we do not think the situation presents an immediate menace.

A partial analysis of latest foreign trade figures is afforded by the following table of the principal groups of commodities:

	March imports	
Groups—	1924.	1925.
Crude materials	$102,169,000	$142,211,000
Crude foodstuffs	34,464,000	50,157,000
Manufactured foodstuffs	67,294,000	46,848,000
Semi-manufactures	56,174,000	75,943,000
Miscellaneous	1,511,000	2,415,000
Finished manufactures	58,870,000	67,913,000
Total	$320,482,000	$385,487,000

	March exports	
Groups—	1924.	1925.
Crude materials	$85,609,000	$121,690,000
Crude foodstuffs	14,976,000	31,102,000
Manufactured foodstuffs	49,782,000	55,597,000
Semi-manufactures	50,060,000	64,543,000
Finished manufactures	130,602,000	171,553,000
Miscellaneous	626,000	1,048,000
Foreign exports	8,101,000	7,901,000
Total	$339,756,000	$453,434,000

State of Leading Industries

The iron and steel industry, after the greatest three months in its history, has experienced some decline of demands upon it. Unfilled orders of the United States Steel Corporation decreased 421,207 tons in March. Evidently immediate needs had been covered by the heavy buying of previous months. Production of steel in the country in the first quarter was at the rate of nearly 49,000,000 tons per year, which is far beyond the production of all other steel-making countries put together. It is not strange that consumers feel no uneasiness about being able to have their needs promptly supplied. Prices have weakened a little, and are about where they were last Fall. Of course the signs of price-weakness tend to defer orders.

The cotton goods industry is making high consumption figures, for March 582,674 bales, a monthly record seldom surpassed, but the complaints of slow trade raise a question as to whether mills have not been accumulating stocks. Certainly buyers are not competing for goods to a degree that strengthens prices

or employs the full mill capacity. Weakness in the raw material is quickly reflected in goods. Apparently the demand does not exist at present prices to place the cotton industry on a remunerative basis, but mills are tempted to run strong for the sake of reducing costs to the minimum.

The woolen and worsted goods industry is in similar difficulties. Demand has been persistently disappointing for the past year. The country has been spending money at a great rate, but apparently going light on cotton and woolen goods.

The Standard Trade Statistics Company gives the following table, showing 1924 earnings for thirteen of the leading cotton, woolen and silk goods manufacturing companies, which offers striking evidence of the severe depression suffered by the textile industry last year. Only four of the companies were able to show a profit on their operations, while only three had earnings available for their common shares.

	—Year—			
	—1924—		—1923—	
Company	Net Profits	Earned per Share of Com.	Net Profits	Earned per Share of Com.
Consol, Textile	*$2,027,615	Nil	$54,073	$0.04
Arlington Mills**....	797,505	$6.64	1,834,163	15.28
New Eng. So. Mills	*537,953	Nil	212,890	Nil
American Woolen..	*6,944,420	Nil	6,660,212	8.84
Dan'l Boone Woolen	*3,146,101	Nil	467,193	4.48
Van Raalte, Inc.......	*468,855	Nil	120,930	3.02
Phoenix Hosiery	177,031	Nil	915,794	3.46
Julius Kayser†	*426,521	Nil	1,714,629	8.08
H. R. Mallinson‡....	*161,455	Nil	1,277,549	5.47
Onyx Hosiery	*159,142	Nil	711,245	2.98
Amalgamated Silk..	*1,226,331	Nil	....	....
Century Ribbon	338,670	2.07	491,039	3.51
Real Silk Hos'y***..	1,455,342	9.70	....	....

*Net loss. **Years ended November 30. ***Year ended September 30. †Years ended August 31. ‡Years ended October 31.

A market letter just issued by Sanford & Kelly, New Bedford, Mass., states that severe declines in the market prices of nearly all New England mill company stocks have occurred recently, and it may be assumed that earnings statements for the past year are responsible.

The silk industry is doing much better, in fact is running practically at capacity. The "Rayon" or artificial silk industry is going very strong, and although the poundage of these fabrics is small in comparison to that of cotton goods, it cannot be doubted that the expansion in these lines has some effect upon the market for cotton fabrics.

The unsatisfactory conditions in cotton and woolen goods and in the coal industry are largely responsible for the dubious views of the business situation. Figures for building permits issued and contracts entered upon for construction work for the first three months of the year show a large decline in New York City, but a more than compensating increase over the country. The total is larger than in the first quarter of 1924. The falling off in New York City is doubtless due in large part to the fact that the inducement of municipal tax-exemption has expired. There is no prospect of unemployment in the building industry here, however, as large projects entered upon last year are taking the labor. The State Labor Bureau of Illinois says of that State that there is a strong probability that more labor will be employed in the building industry in all its phases than ever before.

There is a lull in the railroad equipment industry, not surprising in view of the large purchases of the past three years. However, a moderate amount of business is in hand. Notwithstanding the receivership, the Chicago, Milwaukee & St. Paul company has given an order for 5,500 cars, the purchase to be financed by car trust certificates, a popular form of investment which has greatly facilitated railroad equipment purchases. Locomotive builders are suffering most from lack of orders, for which several explanations are given. The tractive power of new locomotives has been much increased in recent years, but more important than this is the change in operating policy by which locomotive "runs" have been lengthened from 100 to 200 miles to 300 to 500 miles. This enables operations to be conducted with fewer locomotives, although the life of a locomotive naturally will be shorter. The roads have been handling in the last two years the greatest traffic in their history and the wear and tear of all equipment is inevitably heavy.

Survey of the Manufacturing Industries

A recent survey of the industries by the National Manufacturers Association affords the best evidence that has been supplied this Spring of the state of activity prevailing and state of mind of industrial managers. More than 10,000 answers were received to the inquiries sent out by the Association. Compared with a year ago, 51 per cent of the reporting industries find the volume of business higher, 30 per cent report that the volume of business remains the same, while the remaining 19 per cent report a sluggishness or falling off.

For the immediate Summer the prospects are bright or stable in 93 per cent of the industries—in detail 8 per cent of them report Summer prospects as excellent, 47 per cent report them as good, 38 per cent class them as fair, and only 7 per cent have misgivings for an unusually slack period.

As to employment and wages 25 per cent of the reporting industries already have made plans to increase their forces this Summer, and 63 per cent will operate with their present ample forces. Only 12 per cent are making reductions, and these are mostly seasonal. And, on this same sound footing, 22 per cent of these plants have increased their wages over last

year, 70 per cent will continue on the present high wage basis and only 8 per cent are making reductions.

This survey, which is the annual Spring analysis made by the National Association of Manufacturers, covers every kind of basic industry in the country and hundreds of allied branch industries. We have seen nothing which we have considered a more trustworthy cross-section of the country's industries.

Railroad Earnings

Although car-loadings for the whole country in the first quarter were above those of any other year, some of the companies suffered declines, the northwestern roads particularly, and the plight of the Chicago, Milwaukee & St. Paul Company has called attention the earnings of other companies in that territory. The Chicago & Northwestern, of high rank in the past, had an operating ratio of expenses to earnings of 84.4, against 81.7 in the first quarter of last year, and this, with the influence of the general market decline, caused a drop in its common stock from 75⅜, the high point in 1925, to 47¾. Union Pacific also has suffered notably in earnings and price. Both of these roads suffered from short crops last year, Union Pacific on its western divisions and Northwestern from poor corn throughout its territory, which has effected the live stock movement.

The eastern roads have done much better and the southern lines best of all. The western railroads have joined in an argument to the Interstate Commerce Commission, which is now preparing for a general investigation of all railroad rates, asking it to make a separate study of the western situation. The brief states that in 1924 the return upon the railroad investment in the west was 3.87 per cent, as compared with 4.33 per cent in the rest of the United States. In addition the wage payments of western railroads were given as 193 per cent of their payments in 1916.

The tax accounts of western railroads were, in 1924, placed at 369 per cent of their tax accounts in 1911, while in the United States as a whole, the brief said, the increase had made the 1924 payments 334 per cent of those of 1911. Loss of tonnage by the competition of the Panama Canal is referred to.

As to the general rate investigation the brief suggested that the commission enlist the aid of the Commerce Department and other Government branches to determine how revenues may be obtained to keep up the earnings of western lines. Signatories to the brief were representatives of sixty-five western railroads, including practically every carrier now operating west of the Mississippi River.

Railroad tonnage in 1924 was about 7½ per cent lower than in 1923.

Trend of Prices

Wholesale prices of most groups of commodities included in the index of the Bureau of Labor Statistics, declined somewhat in March, but owing to an advance of food prices, particularly of meats, the general level of prices remained practically unchanged. Prices of many basic commodities, however, were lower at the middle of April than a month earlier.

INDEX NUMBER OF WHOLESALE PRICES, BY GROUPS OF COMMODITIES (1913 = 100.0).

Groups—	1924, March	1925 Feb.	1925 March
Farm products	137.2	161.5	161.3
Foods	140.8	156.9	158.9
Cloths and clothing	191.4	191.0	190.7
Fuel and lighting	180.8	177.5	174.4
Metals and metal products	143.6	135.6	133.7
Building materials	182.1	182.8	179.8
Chemicals and drugs	129.9	134.5	134.2
Housefurnishing goods	174.8	172.5	170.1
Miscellaneous	112.9	124.5	125.4
All commodities	149.9	160.6	161.0

Comparing prices in March with those of a year ago, as measured by changes in the index numbers, it is seen that the general level increased approximately 7½ per cent. The greatest increase is shown for the group of farm products, in which prices were 17½ per cent higher than in March, 1924. Metals and metal products averaged approximately 10 per cent lower.

Great Britain Resumes Gold Payments

The British Cabinet has decided upon an immediate return to the gold standard, this action having been announced by the Chancellor of the Exchequer, Mr. Winston Churchill, in his speech to the House of Commons, presenting the annual budget, on April 28th. That he would propose the resumption of gold payments was expected but it was thought probable that the policy would be to simply allow the existing embargo upon exports to expire on January 1st, 1926, according to the limitation of the existing act, with due notice. Instead of this, the Chancellor has adopted the policy of providing for resumption as soon as an act of Parliament can be passed. In anticipation of the Chancellor's speech the pound sterling had advanced to above $4.82, and as the result of the announcement it rose to approximately the point at which the movement of gold from London to New York would afford no profit. The par of the pound sterling with the dollar is $4.8665, but shipping charges for bar gold, plus interest in transit, make the net value in New York about $4.85. Sovereigns will net slightly less. Moreover the Bank of England will not be required to pay coin, and it will be the policy not to do so, as it is desired to discourage the use of gold as a circulating medium in Great Britain. The gold reserves will be held, for the present at least, to meet export requirements.

The Chancellor stated that a gold fund of £153,000,000 had been accumulated to support the policy and that in addition to this the Treasury already had accumulated the whole of the $166,000,000 necessary to meet the British debt payments to the United States government due in June and December of this year.

Furthermore, he stated that arrangements had been made in the United States for bank credits aggregating "not less than $300,000,000," which would be available if, as and when needed. These arrangements are between the British Treasury and J. P. Morgan & Co., representing a syndicate of bankers, for $100,000,000, and between the Bank of England and the Federal Reserve Bank of New York for $200,000,000. It is understood that while none of the other Reserve banks are original parties to the latter arrangement, all will be offered an opportunity to participate if they desire to do so.

These credits are not loans, but commitments which enable loans to be had if desired. Their purpose is plainly stated by the Chancellor as follows:

> These credits will only be used if, as, when they are required. We do not expect to have to use them, and we shall freely use other measures in priority.
> These great credits across the Atlantic Ocean have been obtained and built up as a solemn warning to speculators of every kind and of every hue and in every country, of the resistance which they will encounter and of the reserves with which they will be confronted, if they attempt to disturb the gold parity which Great Britain has now established.

Notwithstanding the vast resources which the British government is able to command, the policy would be both unwise and ineffective if international trade and financial relations should prove to be unfavorable to the stabilization of the exchanges. The action has been taken in the belief that the time is propitious and that the policy will not be burdensome, but helpful in the restoration of world trade to the great advantage of Great Britain.

For this reason there is great significance in the action. It represents the confident judgment of London that conditions are now favorable to the maintenance of well-balanced trade relations and stable exchanges throughout the world. Nothing could be more reassuring to business everywhere. The credits pledged to this purpose in the United States cannot under any circumstances tend to promote inflation in this country. To the extent they are used they will take the place of gold exports from London, and be less influential upon the credit situation here than gold imports would be.

In concluding his speech the Chancellor said:

> We do not move alone. Indeed, I think we could not have afforded to remain stationary while so many others moved. Two of the greatest manufacturing countries in the world on either side of us, the United States and Germany, are, in different ways, either on or related to the international gold exchange. Sweden is on gold exchange. Austria and Hungary are already based on gold or else on sterling, which is now the equivalent of gold and I have reasons to know that Holland and the Dutch East Indies—very important factors in world finance—will act simultaneously with us today.
> So far as the British Empire is concerned, the self-governing Dominions, there will be complete unity of action. The Dominion of Canada is already on a gold standard. The Dominion of South Africa has given notice of her intention to revert to the gold standard as from July 1. I am authorized to state that the Commonwealth of Australia, synchronizing its action with ours, proposes from today to abolish the existing restrictions on the free export of gold, and that the Dominion if New Zealand will from today adopt the same course as ourselves in freely licensing the export of gold.
> Thus, over the whole area of the British Empire and over a very wide and important area of the world there has been established at once one uniform standard of value, to which all international transactions are related and can be referred. The standard may, of course, vary in itself from time to time, but the position of all countries related to it will vary together, like ships in harbor whose gangways are joined and who rise and fall together with the tide.
> I believe that the establishment of this great area of common arrangement will facilitate a revival of international trade and interimperial trade. Such revival and such foundations are important to all countries, and to no country is it more important than to this island, whose population is larger than its agriculture or its industry can sustain (a Labor member—"Oh, no"), which is the centre of a wide empire, and which, in spite of all its burdens, has still retained, if not the primacy, at any rate the central position in the financial system of the world.

Announcement was made from Amsterdam on the same day that thereafter the central bank of the Netherlands would redeem its notes in gold on demand.

European Affairs

The three most notable events in Europe in the past month have been the resumption of gold payments by Great Britain, the change of ministry in France and the election of General von Hindenburg to the presidency of Germany, In some quarters the order of mention might be changed, but this is our view of their relative importance. In our opinion the importance given the German election has been due to dramatic interest in the choice of the old war chieftain, and possible inferences therefrom, rather than to probable results.

Mr. C. E. Mitchell, President of this Bank, having been interviewed on the subject, said:

> "After a great war it is historically easy for a country to turn to a war hero as a leader, especially when there is an absence of strong individual leadership among those generally regarded as the constructionists. In our own history the election of General Grant did not mean that the North proposed to control the South by force of arms. The election of von Hindenburg does not mean that Germany will return to a militaristic state, nor that she will attempt to work out her problems through monarchistic controls. In spite of the immediate unfavorable impression created here and abroad, we believe that the weight of sober opinion will be quite completely on the side that the manner in which Germany is working out her destinies will not be affected by the election. We see in this election no

basis for pessimistic views regarding the solution of German difficulties and the re-establishment of a country whose credit will be strong. The fundamentals have not been changed. Historically it is hard to find a progressive advance without a check."

The real authority to make national policies, in Germany as in France, is vested in the parliamentary body and the ministry, and we see no reason for thinking that von Hindenburg's election indicates either a probable change in the form of the German government or a reversal of policy as regards the Dawes settlement and international relations generally. As it seems to us, the greatest significance of the election is the quietus it will give to rumors about pending revolution in Germany, the Communist party having cast less than 2,000,000 votes in a total of over 30,000,000. Evidently the attempts to inoculate the German people with bolshevism have failed. In Berlin, where both the Imperalists and Communists might be expected to be strong, the vote has a double significance. Marx received 654,325, against 384,667 for Hindenburg and 144,890 for the Communist, or a majority over both, indicating a great middle party, with whom the glamor of the field marshal's war record was overcome by a feeling that a war hero was not just the man for the present occasion. Hindenburg was stronger in the rural communities, where consideration for international relations probably would be least influential, and weaker again in the Rhineland, where that consideration would be uppermost.

Apprehensions and antagonisms are easily stimulated and it will not be strange if Hindenburg's election shall make more difficult the efforts which men of good purpose are putting forth to secure effective guarantees for the peace of Europe. This would be most unfortunate, and for this reason it is desirable to give due weight not only to the natural factors in Hindenburg's popularity but to the strong opposition and the reasons for it. No doubt it was inspired largely by fear that his election would cloud the situation.

The latest economic developments in Germany are favorable. The final results of the government's fiscal year, ended March 31, are a surplus of revenues over expenditures of 658,000,000 gold marks, or $156,600,000. Unemployment is diminishing and wages are rising. Germany is again feeling solid ground under her feet, and after the experiences of the past ten years it is reasonable to believe that among those who appreciate the progress being made there is more thought of industrial recuperation and social stability than of militaristic policies.

The French Ministry

The Herriot ministry in France, which came into power following the elections of last May, has retired and been succeeded by a coalition ministry headed by M. Painleve, with M. Briand in charge of Foreign Affairs and M. Caillaux in charge of the Treasury. The Herriot government had been in difficulties over the finances and the crisis came upon the revelation of an excess of currency issues above the legal limit of the Bank of France, making it necessary for the government to ask legislation legalizing issues already outstanding.

The fundamental task of the ministry was that of balancing the budget by increased taxation, but its political support was too uncertain for it to deal with this problem successfully. A government must meet its obligations as they are presented from day to day, and unless revenues are sufficient it must provide the means by borrowing. Moreover, if it does not find sufficient funds by offering its interest-bearing obligations to the public it must resort to the banks, and this seems to have been the position of the Herriot government. Ordinarily such advances are made by the Bank of France, but in this instance the Treasury resorted to other banks, hoping that the emergency would pass and that increased note issues would be unnecessary. The conditions, however, were not of a temporary nature.

The Growth of Inflation

The money situation has been tightening for more than a year, as a result of the constant increase of short term government obligations in circulation, and a growing feeling of distrust in France that inflation would cause, or was causing, depreciation of the currency. The volume of currency was increasing, but the idea seems to have prevailed that so long as the Treasury was not increasing its borrowings at the Bank of France, the increase of circulation did not signify inflation. The tendency of prices was upward and naturally there resulted an increasing demand for more currency. A rise of prices at first affects comparatively few commodities, but gradually it affects everything, wage-rates included, and the French government found it necessary to raise the pay of its own employes. This is the vicious circle which describes the subtle process of inflation. It has been argued that if the government budget was balanced, either by revenues or loans representing securities taken by the public, an increase of circulating notes would mean nothing but the provision of necessary media of exchange. It is obvious, however, that if an increasing volume of currency is being used to transact a practically stationary volume of business, with a rising price level, inflation is under way.

The discount rate of the Bank was raised to 7 per cent, with advances (loans) at 8 per cent, but the rise of current interest rates and any other attempt to restrict borrowing would

have the same effect upon government obligations as similar conditions had in this country in 1920, i. e., tend to force them on the market, or to redemption as they matured. The demand for more currency, caused by the spread of rising prices is insistent. All experience has demonstrated that once inflation is under way it can be stopped only by price readjustments. President Schacht in his almost ruthless management of the Rentenbank and Reichsbank in Germany, has shown the only way in which inflation can be controlled. A policy of supplying credit or currency to "suit the demands of trade" at any price level, means supplying ample facilities for inflation to go on.

The Situation Chiefly Political

The complexities of the French situation exist in the political divisions and antagonisms, rather than in the financial conditions. The Treasury requires more revenues, and the legislative authorities have been unable to agree upon methods for obtaining them. The strong socialist wing wants a capital levy, in other words, the rich to pay, and the conservative Senate wants some other policy adopted. It is necessary by some method for the government to establish a clear surplus of revenues over current expenditures of every kind, and inspire in the French people confidence and willingness to take fresh issues of Treasury obligations as they are required to replace those already outstanding. Obviously it is not impossible for the French people to take new issues for the old ones as the latter mature, and if current expenses are covered by taxation this will solve the problem. Additional credit must not be put into circulation through borrowing at the banks, nor must outstanding obligations of the investment class be converted into circulating currency.

The Treasury has large amounts of two and three year bonds maturing this year. The next of these maturities falls on July 1st, when 3,200,000,000 francs come due, but notice of presentation for payment had to be given three months in advance, so the Treasury knows now what it must provide for. Another block of 8,236,000,000 francs falls due on September 25th, under similar conditions and a further 10,000,000,000 on December 8th. The aggregate of these is 21,436,000,000 francs. There does not seem to be any reason why these bonds should not be extended or replaced with new, if in the meantime the question of ample revenues is satisfactorily settled. As a matter of fact this is by no means all of the French debt that is maturing. The Treasury is constantly redeeming and reissuing National Defence Bonds of three, six and twelve months maturities, in the aggregate amount of 56,000,000,000 francs. The entire situation as to the latter part of the debt as well as the former, depends upon the maintenance of confidence that the franc will not be allowed to suffer further depreciation. If the government is successful in this, and even a small surplus of revenues is made available year after year for the reduction of the debt, it soon will be able to command lower interest charges and effect important savings in that way.

The new Finance Minister has announced that he will propose an increase of the income tax, bringing France up to the level of the British and American rates, with more rigid enforcement of the law against the export of capital.

Austrian Situation

Financial and industrial conditions in Austria have improved in recent months. The discount rate of the central bank, which was reduced in November last from 15 to 13 per cent has now been reduced to 11 per cent. The great difficulties under which business has been struggling may be judged from the fact that even now firms in the best of credit are paying 16¼ per cent for their accommodations, at the other banks. The central bank does business only with and for other banks, as is the case with the reserve banks of the United States. The private rate of discount until recently has been 25 per cent and the worst of it has been that accommodations have been closely limited. The national bank has been working into a very strong position, and the rate reduction is a result.

The government budget for 1925, which was adopted in the last week of March, shows a deficit of 57,600,000,000 schillings, but includes 78,000,000,000 of expenditures for productive purchases, so that no deficit on ordinary account is expected.

Considerable stimulus is anticipated for the business situation from a proposed expenditure of $22,000,000 for improvements upon the Federal railways. The funds may be provided from the balance available from the League of Nations loan, or possibly by a new international loan. Several water power loans also are pending. The new water-power stations are already effecting important economies in the use of coal, and with benefits to the foreign trade balance.

The British Budgets, 1924-25 and 1925-26

The outcome of the last British fiscal year, ended March 31, 1925, was a much smaller surplus than in previous years since 1919-20. This was due in the main to reduction of taxation provided in the last budget. Revenue and expenditures in the last five years have been as follows:

	Revenue	Expenditures	Surplus
1920-21	£1,425,985,000	£1,195,428,000	£250,557
1921-22	1,124,880,000	1,079,187,000	45,693
1922-23	914,012,000	812,497,000	101,575
1923-24	837,169,000	788,840,000	48,329
1924-25	799,436,000	795,777,000	3,659

The London Economist calculates the total national income and the relation of taxation thereto in 1913 and recent years as follows:

	Approximate Natural Income	Tax Revenue	Percentage
1913	£2,300,000,000	£168,000,000	7.1
1920	5,600,000,000	1,032,000,000	18.4
1921	3,900,000,000	857,000,000	22.0
1922	3,500,000,000	775,000,000	22.2
1923	3,800,000,000	718,000,000	18.8
1924	3,900,000,000 to 4,000,000,000	690,000,000	17.2 to 17.7

The conclusion should not be drawn that the increased percentage of tax revenues to the national income in recent years denotes a corresponding loss of wealth. The payments to British citizens on account of interest and principal on the public debt are not lost to the country.

The British public debt, which stood at £649,810,000 on March 31, 1914, was highest on March 31, 1920, when the figures were £7,828,800,000; on March 31, 1925, the amount was £7,636,000,000. The floating debt has been reduced, partly from revenues but mainly by refunding operations, from the high point of £1,412,200,000 in 1919 to £742,195,000. The service of the national debt accounts for nearly one-half the government's annual expenditure.

The principal changes in the revenue schedules of the British budget for 1925-26 are in the restoration of the luxury taxes which were removed last year, and of certain preferential rates in favor of the over-sea dominions. These are taxes which fit into the Conservative scheme of empire preference, and will slightly increase the revenues. The death duties are slightly increased. The income tax is reduced a six pence on the pound.

Banking and Industrial Conditions in Great Britain

The London Times gives the following figures of the principal items in the balance sheets of the ten banks in the London clearing house, as of March 1925, 1924 and 1923:

(000's omitted).

Items	March, 1925. Totals	% of dep.	March, 1924. Totals.	% of dep.	March, 1923. Totals.	% of dep.
Deposits	1,643,527	......	1,642,848	......	1,639,219	......
Acceptances	113,855	6.9	99,346	6.0	80,163	4.9
Cash in hand	190,178	11.6	189,173	11.5	190,821	11.6
Cheques in transit	51,083	3.1	45,094	2.7	45,226	2.8
Money at call	111,745	6.8	97,113	5.9	108,586	6.6
Bills discounted	205,076	12.5	226,829	13.8	253,333	15.5
Investments	299,366	18.2	353,392	21.5	352,767	21.5
Advances	857,143	52.1	802,423	48.8	758,793	46.3
Bank premises	28,980	1.7	27,811	1.7	27,078	1.7

These figures show remarkable stability of deposits over the two years, but this is accounted for by the fact that bills discounted and investments have declined by about the same amount that advances have increased. The rise of advances signifies increased demand for money in business operations, but not necessarily in trade, while the decline of bills discounted cannot be regarded as a favorable sign.

The iron and steel, coal and shipbuilding industries in Great Britain still are depressed. The country was much agitated in March by the letting of a contract by a British shipping company for five 10,000-ton motor-driven vessels to a German shipbuilding company, at Hamburg. The contract runs into the millions, and in view of the unemployment existing in England public attention was focussed upon it. The shipping company explained that it had offered to pay £10,000 (approximately $50,000) per ship above the contract price to any British builder, but that none wanted it at even that price. The head of a British shipbuilding company stated that if their workmen had been willing to do the constructional work for nothing, his company could not have met the bid of the German company. In other words the materials alone, delivered at the shipyard, would have cost more than the German bid for the completed ships. He explained the situation by lower wages throughout the industries. The cost of a ship begins with the mining of coal and iron ore, and follows through the fabrication of all materials and transportation of these to the shipyards, and wages are the principal factor everywhere.

Further comment was occasioned by the letting of a contract by the South African State Railways of a contract for 15 locomotives in Germany at a price 37 per cent under the lowest British offer.

At a recent meeting of the British Coal Trade Association in London, Lord Londonderry, who presided, speaking of German competition, named four advantages which he said their German competitors enjoyed:

> (1) The wages of German coal hewers were about one-half of the average wage of the English hewer; (2) the working hours of Germany were longer; (3) the Germans had made an extraordinary advance in the development of their coalfields and possessed the advantage of producing lignite for home consumption; and (4) the German coal-producing companies had been enabled by the practical disappearance of the old German mark to get rid of their pre-war debenture debts for almost nothing.

The Reason for Price-Cutting

The real trouble with the coal and iron industry in Europe, however, is that consumption is down as compared with what it was before the war. Constructional work is down as compared with then, and with not enough work to go around there is desperate cutting of prices to get what is offered. Wages in Germany were reduced in purchasing power during the paper money regime and the workmen have not been able to get them restored since the gold standard was re-established, although they have been rising. Germany is in great need of export business as means of

paying for the imports she must have. The explanation of slack times in the British steel industry is not to be found in an increase of German exports. The imports and exports of the principal iron and steel producing countries in 1913 and in 1923 and 1924 are given by the London Economist as follows:

Imports, in tons—	1913	1923	1924
United Kingdom	2,231,000	1,323,000	2,430,000
France	170,000	702,000	695,000
Belgium	874,000	525,000	591,000
Luxemburg	....	....	....
Germany	300,000	1,731,000	1,240,000
United States	253,000	579,000	480,000
	3,828,000	4,860,000	5,436,000
Exports, in tons—			
United Kingdom	4,969,000	4,320,000	3,853,000
France	620,000	2,183,000	2,658,000
Belgium	1,551,000	2,500,000	3,248,000
Luxemburg	....	....	....
Germany	6,202,000	1,307,000	1,510,000
United States	2,908,000	1,944,000	1,790,000
	16,250,000	12,254,000	13,059,000

NOTE—In 1913 the total imports and exports of Luxemburg were included in Germany; in 1923 and 1924 they were included in Belgium.

It will be seen that the aggregate exports of these countries fell from 1913 to 1924 by about 20 per cent, although ten years of normal times should have seen a growth of more than that. The population of the world has increased and the need for iron and steel has increased, but owing to the disruption of price relations, the natural flow of trade is obstructed. The need of the world is for the restoration of price-relations in order that the flow of the exchanges may be resumed. With work enough to go around such price-cutting would cease, for German workmen are as eager for good pay and German manufacturers for good prices as other nationals.

Similar evidence of the slackness of world trade is afforded by the British statistics of cotton goods exports. Following are the figures for exports of cotton piece goods from the United Kingdom in first three months of 1913 and the corresponding months of 1923, 1924 and 1925:

	Yards	Value in £
1913	1,773,424,100	24,040,540
1923	1,079,958,200	35,991,088
1924	1,105,019,200	37,435,246
1925	1,241,692,200	43,279,119

It will be seen that while there has been improvement in the last three years, the yardage is still more than 25 per cent under that of 1913, but the value is more than 75 per cent greater. The price probably has an effect on the yardage.

A good symptom is reported by Mr. W. J. Radcliff, of Cincinnati, a speaker before the annual convention of the National Supply and Machinery Distributors' Association, at Atlantic City, April 29. "Prior to the war," said Mr. Radcliff, "30 per cent of the machine tools manufactured in the United States went to Europe. During the war and until 1922 there was no exportation. In 1922 the exports amounted to 5 per cent, but this year they will go to 20 per cent."

Obviously this indicates that European industries are spending money on equipment in anticipation of increasing business.

In England as in this country the high cost of living, resulting largely from high industrial costs, together with unemployment, is made the basis of demands for higher wages. The Coal miners, railway employes, cotton mill operatives and other groups are pressing such demands now, but the logic of conditions is that industrial costs there as in this country are too high to permit the industrial products of the country to move into world markets.

Agricultural Conditions

Reports from the agricultural districts have told of soil in good condition for planting and probably an increased acreage in crops. Rainfall has been generally light, although sufficient for immediate needs. In the latter part of April good rains have fallen over the Southwest which have greatly improved the prospects. In the Northwest conditions are very favorable. This is particularly true of Canada, the storage of moisture in the western provinces raising hopes of a bumper crop.

The government's report of the condition of Winter wheat on April 1st confirmed the private reports that it had suffered severely from freezing and drought. The estimates is for 474,000,000 bushels, against 590,000,000 last year. Clement, Curtis & Co. estimate an abandonment of 20 per cent, this acreage for the most part going to oats and corn, although in the Pacific Northwest about 1,500,000 acres will be seeded to Spring wheat. Although the acreage in Spring wheat is estimated at 14 per cent above last year, it is probable that the total wheat crop of this country will be materially below that of last year.

On the other hand the Canadian acreage will be larger and the condition as to moisture is good. The European acreage of wheat and rye will be slightly above that of last year.

Wheat prices have been very unsteady, since the big slump, the bulls apparently having lost either their money or their courage. For the 42 weeks ended April 23 the combined exports of wheat from Canada and the United States, including flour, were 349,281,561 bushels, as against 315,677,164 in the corresponding weeks of the previous crop year. The average amount exported per week over the 42 weeks has been about 8,400,000, and for the three weeks ended April 23 an average of 6,170,000 bushels per week. The theory of the believers in $2 wheat was that along about this time shipments from Australia and Argentina would decline and demands on the United States and Canada would

increase, but exports from Australia and Argentina are still at a good rate, and have not been increasing from the United States and Canada. The total visible supply in United States and Canada on April 18 was 122,000,000 bushels. The disappearance from March 1st to April 18 was 29,000,000 bushels. All of Europe, including Russia, is importing grain, and probably on a hand to mouth basis, although the British visible is close to 100,000,000 bushels. The markets now seem to be adjusting themselves to the conditions which will exist in the new crop year, having practically given up the idea of a shortage before the new crop is harvested.

Sentiment in the corn trade is bearish because of sluggish demand, visible supplies considerably above those of this time last year and the good opening prospects for a large crop this year.

The North Pacific Coast including Northern California, has had abundant rainfall, but Southern California has been short and dry, farming will suffer in consequence. Recent rains have improved the situation where crops are in the ground or may yet be planted, but the storage of moisture is small. There is water enough for irrigation purposes. The damage to citrus fruits by frost is proving less than anticipated, and prices are very good. The First National Bank of Los Angeles says that naval oranges averaged $3.81 per box for the week ended March 21, compared with $1.93 for the corresponding week of last year. Shipments in the crop year to March 23 aggregated 16,732 cars, against 17,691 cars in like period last year. The outlook for all fruit crops is good, and the holdover of supplies will be small.

Live Stock

Hogs are down over $2 per hundred weight from the top price in March, but there is a profit in feeding corn to hogs at present prices for both.

A. E. de Ricqles, of Denver, in his live stock market letter, gives the following figures, and observations pertinent to the cattle industry:

CATTLE DATA FOR 64 PRINCIPAL MARKETS OF THE UNITED STATES

Year	Total Receipts	Slaughtered	Feeder Cattle Shipped to the Country
1922	23,218,000	12,435,000	4,863,000
1923	23,211,000	13,029,000	4,553,000
1924	23,695,000	13,849,000	3,965,000

	Head
1924 increase in receipts over 1922	477,000
1924 increase of slaughter over 1922	1,414,000
1924 decrease feeder cattle to country over 1922	878,000

The shortage in the 1924 corn crop was a final blow to the industry, already prostrated, and I believe cost the cattle producers of the West from $10 to $20 per head on their feeding cattle, that were sold at market during 1924.

The financial difficulties of the various big packers, also hurt the cattle market and the many failures of various cattle loan companies has made it difficult to carry cattle paper. We have little faith, however, in any of the proposed Government financial institutions being much help to the producer.

Another element that is hurting beef is the weight of the immense hog receipts. For the seven big markets in 1924, hogs totaled 31,651,881 as compared with 18,272,091 in 1914. While it is true that there are large exports of pork products, still some of this excess pork displaces beef in this country. In the mean time I believe a big old-fashioned corn crop will do more towards putting cattle back on the map than all else combined.

Notwithstanding the high price of corn, cattle-feeders are reported to have done well as a rule in the past six months, but this has been generally due to getting the feeders at low prices. Young cattle have had a decided preference.

Cotton Prospects

The outstanding features of the cotton situation this Spring have been the drought in Oklahoma and Texas and the high volume of exports. Rainfall has come in the southwest in the last two weeks, sufficient to greatly improve conditions and the effect has been seen in lower prices. Even yet, however, there is question whether moisture enough is in storage to carry the plant through the summer heat and dry weather. In the absence of that supply the dependence must be upon timely rains throughout the season, and experience is that large crops are not often produced under these conditions. Elsewhere in the cotton country the soil conditions are good. An increase in the use of fertilizer is predicted. The acreage is estimated by Jay & Co. at 43,130,000, against 41,490,000 in 1924, which was the largest acreage on record. Summing up, crop prospects are excellent except that Texas prospects are handicapped by less than the usual Winter and Spring rainfall.

Exports continue to run well above those of the corresponding weeks of last year. Since August 1st last the excess has been approximately 2,500,000 bales. With domestic consumption and exports at a high rate it looks as though the carry-over July 31st would be little if any larger than last year. Speculative opinion, however, of late has tended to the view that there will be cotton enough at the prevailing price; in other words, that the price of cotton goods is limiting consumption and that higher prices would limit it still more. The recent rains have had the effect of depressing prices, which are now under 24 cents.

Decline in Wool

The wool market has been weaker in recent weeks, the chief influence apparently being evidence that the last Australian crop has not been moving as readily as was expected. When the last of the war-stocks was moved a year ago the situation was thought to be very strong, but there is some question now as to

whether all of those stocks actually moved into consumption. Symptoms of weakness in the markets were met by the policy of withdrawing offerings from the sales, but at the Australian sales last week this policy was changed, and offerings increased. The result was a substantial drop. This experience is something for the advocates of price-regulation and market-control to study. There is an end sooner or later to the policy of withholding supplies from market. The Australian wool-producers with another crop coming on, are impressed with the necessity of getting rid of the old crop.

Dairy Products

The heavy stocks of storage butter which depressed the markets last Fall and in the early Winter disappeared rapidly in later months, particularly in March, and prices improved accordingly. They are now about 42 cents per pound, New York against 37 cents one year ago. Egg prices, on fresh gathered firsts, New York, are 29½ against 24½ last year.

Butter producers are agitated by apprehensions of increased supplies and are making a plea to the Tariff Commission for an increase in the customs duty from 8 to 12 cents per pound. The chief competitor at present is Denmark, a country with a total cultivated land area of 10,625,000 acres, which compares with 22,148,223 acres in farms in Wisconsin. It seems almost humiliating to take refuge from Denmark behind tariff barriers, for as to soil, climate and feed supplies the Danish butter-makers certainly are at a disadvantage in comparison with the butter-makers of this country. The fact, indeed, is, that the value of cow-feed imported into Denmark from the United States usually exceeds that of imports of butter from Denmark into the United States. When the trade relations between the two countries are considered in their entirety the situation affords still less excuse for hostile action on our part, as in 1924 exports from this country to Denmark amounted to about $43,413,028, while imports into this country from Denmark amounted to $6,118,264. On the whole, they seem to be doing quite as much for us as we are doing for them.

The Tariff Commission has been investigating the cost of producing butter in Denmark and finds it to be considerably less than in the United States, mainly because of a higher average production of butter-fat per cow, although this obviously is a condition as to which there is great variation in the United States, and is under the control of the individual farmer.

The average cost of producing butter-fat in the United States, as shown in the preliminary report of the Commission is 61.5 cents per pound, although the same report shows that these figures are above the average price of 92 score creamery butter on the New York market in any year on record, which would seem to show that butter has been constantly produced at a loss, although the production was constantly increasing.

The advocates of a higher duty express more apprehension as to possible competition from Argentina, New Zealand, Australia, Canada and Siberia than from Denmark, inasmuch as production in the latter country is not likely to increase greatly. A newspaper report of the hearings contains the following papagraph:

> Theodore Macklin, a professor in the University of Wisconsin, who spent three months last year in New Zealand, studying dairying methods, declared his investigations had convinced him that butter producers in that country are far ahead of Americans in the use of modern producing and business methods, and for that reason they can make butter at a lower cost than is now possible in this country.

Neither New Zealand, Australia nor Canada are countries of low-paid labor.

The production of butter in the United States in the years 1920-23 and imports for the years 1920-24, as given by the Tariff Commission, have been as follows:

	Domestic Production	Imports
1920	1,541,732,000	37,454,000
1921	1,707,114,000	18,558,000
1922	1,780,806,000	6,957,000
1923	1,864,118,000	23,741,000
1924		19,405,000

Official figures for production in 1924 are not available, but the amount is estimated at about 2,000,000,000 pounds.

These figures indicate that little effect upon the price of butter could be expected from even a total exclusion of imports. The increase of about 500,000,000 pounds in domestic production since 1920 obviously has been much more influential upon price than the imports of 19,405,000 pounds, which were below the imports of 1920. The very fact that imports were excluded might easily stimulate domestic production to the extent of 19,000,000 pounds, which would offset the entire effect of exclusion.

Some of the butter producers of the United States no doubt are making money, even though the calculations based on averages show the contrary, for they are not all inferior to the butter-makers of other countries. It cannot be doubted that the best protection to the individual producer is the adoption of the methods which enable his competitors, either at home or abroad, to undersell him.

Amenities of Intercourse

Occasionally, in the proceedings on this case, some reference has been made to the effects upon international relations of legislation aimed directly at the industries of other countries. A newspaper report says:

The intimation that possibly the increasing of the butter tariff would have a tendency further to aggravate the alleged unfriendliness of the New Zealanders growing out of American trade practices was injected into the discussion when Commissioner Dennis inquired of Prof. Theodore E. Macklin of the University of Wisconsin, as to the attitude of the New Zealand. Prof. Macklin said that its people resented the efforts of American business men in seeking to get the trade of Great Britain in her possessions.

"The attitude there was that American business men had violated a sacred requirement of all business in scattering propaganda against Great Britain," he said. "The amateurishness of the American business men has deprived them of the world markets they sought."

A spirit of fair play and due consideration for the usual amenities of intercourse is appreciated everywhere, and when not shown resentment is natural. The newspapers have told recently of formal protests from several European governments against the practice of representatives of the United States government in seeking what is commonly regarded as confidential information about the costs of goods exported to the United States, for the purpose of adjusting our tariff rates against such goods. The right of the United States to fix duties upon imports as it pleases cannot be questioned, or the propriety of gathering information about costs and prices in the public markets, but when an analysis of costs is sought from the books of producers, protests are made and some resentment is natural. The provision of our law which seeks to enforce such inquiries under the penalty of excluding goods from this market if the information is refused, is a prime example of how not to cultivate friendly relations with other peoples.

We do not know that the Danish government has made any protest upon the subject of the inquiries of the Tariff Commission into the costs of butter production, but it is a known fact that no little feeling was publicly manifested in Denmark on the subject.

Mr. W. W. Nichols, President of the American Manufacturers Export Association, in a recent interview is quoted as follows:

"When the Senate Finance Committee first considered the McCumber-Fordney Tariff Act, I warned it that the plan to delve into the costs of manufactures abroad would cause resentment and irritation. The idea of stopping the exports of such a firm to this country, if it refused the information sought, would simply shut off the foreign trade which we must have, and it would make matters worse.

"It is a most unfair proceeding that can only result in bad feeling between ourselves and other countries, as has been shown by the protests received here from other nations. To my mind it is most unfair. American firms have protested against the practice of American officials seeking to delve into their methods and cost of production at home. What can be expected, then, if these same officials seek to force secret trade information from foreign firms? It only engenders bad feeling to a greater extent there because they cannot always appreciate the American point of view and they look with suspicion upon such plans."

Census of 1920

In last month's Letter we gave the census returns for the industrial distribution of the population of the United States in the gainful occupations, and in commenting upon the decline in the number engaged in Agriculture, Forestry and Animal Husbandry made the statement that the census was taken in January, 1919. We find this to have been an error, the census having been taken in January, 1920.

Our Relations With Cuba

The President-elect of Cuba, General Gerardo Machado, is now in the United States, and has been made the recipient of numerous attentions from public officials, including President Coolidge, and business organizations, expressive of good-will to him and his country. He has responded in admirable spirit and in language showing full appreciation not only of the historic relations between the countries, but of the mutual benefits arising from their growing trade. He took early occasion to make appreciative acknowledgment of this country's action regarding the Isle of Pines.

In addressing the large dinner company gathered in his honor in this city, he stated that the principal object of his visit was to become acquainted "with the possibilities for intensifying even more than at present the interchange of our products and the reciprocal advantages to be derived therefrom." He called attention to the fact that since 1902, the year of the establishment of the Republic of Cuba, the volume of its total commerce with the United States has been constantly on the increase and has grown from a little more than $74,000,000 at that time, to $560,000,000 in 1924. After saying that "this enormous interchange of commodities between two peoples, one of whom has but slightly more than 3,000,000 inhabitants, has been due for the most part to the treaty of commercial reciprocity," he made the following statement as to plans for the immediate future:

"The Government of Cuba, under my administration contemplates the carrying out of great material improvements. The largest sums possible will be devoted to extending the means of communication, and particularly public roads. The building of the central highway will be undertaken, and thereby the principal centers of population and consumption will be placed in ready intercommunication, but this will be done without subjecting the credit of the nation to unjustified and unnecessarily onerous obligations.

"The payment of the interests and sinking funds of the public debt will be considered preferred and sacred obligations, which there will be no failure to meet at any time or for any reason, sustained as they are by the credit and good faith of the nation."

This program of public improvements evidently will have a stimulating affect upon trade over the island and naturally must react favorably upon the movement of goods from this country. Cuba buys more in the United States than any other country of Latin America, and ranks sixth among all countries in this respect.

Non-Ferrous Metals

The non-ferrous metals markets for April have been for the most part dull and uninteresting. Sentiment in the metal industries has not been optimistic. Many complaints have been heard that business is not keeping up to expectations of earlier in the year. London markets have steadily declined. Those on this side have followed.

The only exception has been tin, which, after making a low for the year of £232 for three months standard tin, on April 16th, is now about £16 higher. The low touched in New York for Straits tin was practically 50c, which has since recovered about 5c, thus regaining half the loss from the early January high. The decline in tin from the high point has taken place in spite of American deliveries totalling 21,460 gross tons for the first quarter of the year, a record figure, equivalent to over 80% of the total deliveries for the year 1921. The American consumption is excellent and with prospects of very large tin plate production, active operations in the automotive industry and good business in other tin consuming lines, tin prices do not seem far out of line. The world's visible supply as of March 31st was reported at 19,623 tons; a year ago 23,275.

Copper has been most disappointing. April 16th saw the price down to 13¼c, about 2c below the year's high. The past few days, with better foreign demand and higher London market, have brought a turn in prices, which have advanced about one-half cent. Domestic consumption is very large and exports for the first quarter have been satisfactory. The fact that copper is selling—in contrast to almost all commodities—far below the pre-war price, is conclusive proof of the impossibility of controlling prices in the face of production even slightly in excess of consumptive needs. The number of producers is comparatively small, and it would seem that the conditions were favorable to price-control.

Stocks are not abnormal and do not appear greater than proper for an industry whose products run to such tremendous tonnages, but the Anaconda interests have now announced a policy of curtailment, reducing the output 7,500,000 pounds per month.

Lead has been subject to the same conditions of hand-to-mouth buying that prevail generally today in all metals and has been marked down by the leading interest from a high for the year of 10½c to a present price of 7¾c, New York. Recently, there has been pressure to sell both in the East and West and sales are reported as low as 7.30c east of St. Louis, equivalent to 7.65c New York. During April the New York basing price was reduced four times—on April 1st, from 8½c to 8¼c, April 16th to 8c, April 18th to 7.85c, April 21st to 7.75c. Apparently, the very high price of a few months ago had the usual effect of increasing production and reducing consumption. The sales of babbitt metal are said to have fallen off heavily, which is usually accepted as significant of declining industry.

Zinc has been quiet throughout the month. Sales have been in fair volume and considerable interest has been shown for export, nearby positions being most in demand. The low price for the month was 6.80c East St. Louis, with the premium for 'Brass Special' reduced to $2 instead of $3. High-grade has been well sold at 8½ to 8¾c. The market at the close of the month has a somewhat firmer tone owing to export interest, but domestic demand is still quiet.

Antimony has persisted in its erratic price course. Arrivals from China have been more plentiful and an easier situation is reported there. An abnormally high price of 22c was reached in February, but the metal is now quotable at 11c. Stocks are not large but neither is consuming demand active. The average pre-war price was 7½c.

The aluminum market has been firm. The price is 28c for 99 per cent and 27c for 98-99 per cent. The outlook is for the largest consumption on record for the first six months of this year. Producing plants have not been occupied at full capacity but several large importations have been made. Although stocks have been somewhat reduced there is no shortage of the metal.

Silver has gradually declined in price to a low for the year of 31 1/16 d. on April 24th. It has now recovered fractionally. Buying from both China and India has been light.

A World Survey

The Chairman of the Board of the British Metal Corporation, an important company in the metal trade, at the annual meeting in London some weeks ago, gave a review of production and consumption of the non-ferrous metals which is very interesting, particularly as to consumption in the United States. He said:

A notable feature of the year 1923 was the fact that non-ferrous metals attained a bulk—both in production and in consumption—practically equivalent to the average of the three pre-war years of 1911 to 1913. New high levels have been established in 1924, the comparative figures being:—

	Average of 1911-13	Average of 1921-24	Estimated 1924
Production:			
Copper	100	94	139
Lead	100	88	108
Tin	100	98	108
Spelter	100	75	102
Consumption:			
Copper	100	94	132
Lead	100	81	106
Tin	100	93	112
Spelter	100	76	104

Broadly speaking there was a distinct improvement in the European demand, but the disparity between conditions in Europe and in the United States of America is still very marked.

Taking again the pre-war figures—that is to say, the annual average 1911-1913—as a basis, the United States consumed during 1924 116 per cent more copper, 42 per cent more lead, 34 per cent more tin, and 49 per cent more spelter.

During the same period all other countries together consumed during the year 1924 10 per cent less copper, 12 per cent less lead, 2 per cent less tin, and 15 per cent less spelter.

An equally striking contrast appears in a recent statement by an American authority of the per capita consumption of copper in pre-war years and in 1923:-

	Average 1912-14 lb.	1923 lb.
Great Britain	7.25	4.35
Germany	7.03	3.47
France	5.34	6.61
United States	5.49	12.69

The recovery in France is probably due to the substitution of hydro-electric power for coal. Similar developments are taking place in other countries, and for this reason we may look forward to an increasing demand for all the metals with which we are concerned.

Copper consumption, on a progressively large scale, seems assured; on the other hand, there is an ample supply in sight.

Tin is required in increasing quantities. The stocks formerly held by the Straits Settlements and Dutch Governments were exhausted during 1924, and consumers will now be compelled to rely on current production.

Spelter is scarce, with keen competition among smelters for all available ores. European works are unable to meet the demand, and the deficiency is being drawn from the United States, where production costs are high.

Lead has reached a price which, apart from the war period, is substantially above the experience of anyone now engaged in the metal trade.

It is difficult to form any views concerning the future. More seems to have been accomplished in the adjustment of international questions during the last 12 months than in any period since the termination of the war, but, while international problems are slowly working towards a solution, we seem to be moving farther away from a clear vision of reality in the sphere of domestic policy. We are still disregarding the laws of political economy expressed by Bastiat in three words:

Wants—Efforts—Satisfactions, and are "habituating millions of men and women to regard the State as responsible for all the good or evil that may befall them in this world."

In spite, however, of the immediate outlook, I think we may take comfort in the fact that extremes usually provide their own cure, and look to the future with the spirit of moderate optimism which has brought us safely through the last six years.

Shoe and Leather Improvement

This Spring has been a very successful one for most shoe manufacturers. One year ago the factories were operating on restricted schedules due to the effect of unfavorable weather upon retail sales and to the policy of wholesalers and dealers in buying only for immediate requirements. The first four months of 1925, however, and especially the Easter season, bring reports of large sales throughout the country, some manufacturers stating that their stocks were entirely cleaned out.

Actual production of shoes this year is running slightly ahead of a year ago and the export trade is somewhat better. As the industry is a seasonal one it is expected that operations will taper off somewhat from now until the end of June when most concerns take inventory, although this tendency is not so marked in the cases of staple lines as with fancy and style models. Profits are considered fairly satisfactory, but it must be kept in mind that these were on raw material purchased several months ago when leather prices were lower than they are today. Sole leather, for example, taking No. 1 grade of oak in the Boston market, is now around 52 cents a pound while a year ago it was 44 cents, and calf leather, chrome B grade in the same market is quoted at 50 cents against 46 last year. Shoe manufacturers have been concerned over this problem as they have watched leather prices rise continually during the last several months and they are agreed that it will eventually mean higher prices for shoes. At the same time the retailers and the public express strong disinclination to pay more, so that the makers are facing a narrowing margin of profit and the outlook as to future earnings is doubtful.

The Tanners' Position

In the tanning end of the business a somewhat different situation prevails. That industry has been depressed ever since the close of the war, due to large surplus stocks of hides and leather on hand and an excess of plant capacity in the country. In the December issue of this letter we reviewed the gradual working-down of these surplus stocks, the readjustment of tanning output to correspond with normal requirements, and the tendency toward higher leather prices that would give a fair profit. For several years the tanners were forced to sell their finished product for less than the cost of production, and their losses during the period ran into millions of dollars and resulted in the failure of many concerns and the saving of others only by creditors' committees and mergers.

The effect of this change is now being shown in the earnings statements of leather companies covering the year 1924 and the first quarter of 1925. The Central Leather Company, which has approximately one-third of the country's sole leather output, reported for 1924 a net loss after depreciation charges, interest and provision for taxes of $484,307, which compares with a deficit of $7,272,243 the previous year, and for the first three months of 1925 has a profit of $578,726 against a loss of $369,618 in the corresponding quarter last year. The current earnings are at a rate just sufficient to cover the dividend requirements on the company's 7% preferred stock, on which no payment has been made since April, 1921. The holders of these preferred shares have seen the price decline from a high of 114 after the war to a low of 28⅛ in 1923, while the common shares declined from

116½ to 9⅝, from which levels they have now recovered considerably, due to the improved outlook.

The American Hide & Leather Company which tans the lighter weight leathers used in shoe uppers, reported for 1924 a net profit of $537,219 comparing with a loss of $38,998 in 1923, and for the first quarter of 1925 a net profit of about $250,000 against $200,588 profit last year. Barnet Leather Company made $82,864 in 1924 against $70,938 in 1923, while the quarterly reports showed $68,448 and $17,384 respectively. Armour Leather Company made $50,010 last year against a loss of $1,278,248 in 1923. National Leather Company reported net loss of $92,843 last year against loss of $3,867,443 the previous year.

Hide Prices Firm

This increased margin of profit has come from the sale of leather at higher prices while the cost of raw hides has not advanced proportionately. Heavy native steer hides are selling in the Chicago market at about 14 cents per pound which is slightly above last year at this time and compares with an average of 17 cents for the five years 1910-1914. Calfskins are quoted around 18 cents, this being about the same as a year ago. While the markets for these classes as well as sheep and lamb, goat and kid skins are somewhat inactive, as is usual at this season of the year, the sellers are taking a firm stand against making any concessions in price, as supplies have now been worked down to normal or below, especially in sheep skins.

Estate Taxes

The National City Bank of New York has issued in booklet form the address made by President Coolidge before a conference held under the auspices of the National Tax Association in Washington, D. C., on February 20, 1925, and on the last page of this publication is offering to send copies on application.

The conference was devoted to the subject of inheritance and estate taxation, which has become one of pressing importance on account of overlapping legislation by the States and the Federal government. The President in his address favored the withdrawal of the Federal government from this field of taxation, a policy which received strong support in the conference, but also met opposition. All were agreed that the present state of legislation is intolerable, and as preliminary to further action a recommendation was adopted that the States should readjust their death duties with a view of removing overlapping taxation and abolishing rates on all property other than real estate. In conclusion the Chairman of the Conference was requested to appoint a committee of nine or more members, with due consideration to geographical distribution, said committee to undertake the following duties:

(a) To gather the information and data necessary to formulate definite plans for the reform of State and Federal death taxation.

(b) To give special attention to the feasibility of early or gradual retirement of the Federal Government from the field of death taxation.

(c) Then to formulate such plans, model laws and recommendations as it sees fit, and present these for consideration to the Congress, the State Legislatures and committees thereof, and to the proper officials and branches of Government having in charge the levying and administration of death taxes.

(d) To cooperate with such organizations as may be deemed advisable and to create sub and regional committees wherever necessary, and

(e) To request the proper officers of the National Tax Association to call a second national conference on inheritance taxation and estate taxation, to which said committee shall report its findings and activities, or, in the absence of such a second conference, to issue and mail to delegates to this conference a written report.

The argument in favor of relinquishment by the Federal government of the claim to estate taxes is based primarily upon the fact that the right of inheritance is within the jurisdiction of the States and not of the Federal government. As stated by Mr. Russell L. Bradford of New York in the first address before the Conference, property passes at death only by the grace of a state statute, for the states have the sovereign power of escheat, a power neither inherent in nor delegated to the Federal government." On the other hand, it is urged that only by means of the Federal authority can the overlapping state laws on the subject be brought into harmony.

Death duties are imposed by forty-six states and thirty-eight states impose duties upon the transfer of shares of stock of domestic corporations by reason of the death of non-residents. Thus it is usually the case that three taxing powers will levy upon property of this character at the death of the owner. For example, if the decedent was a resident of Missouri and the estate held stock of the Pennsylvania Railroad, there would be levies by the States of Missouri and Pennsylvania and by the United States government. In the highest schedule the levy by Missouri is 30 per cent, by Pennsylvania 10 per cent and by the United States 40 per cent.

President Coolidge shows how much farther this overlapping may go:

A share of stock represents a most conspicuous example of multiple inheritance taxation. It is possible that the same share of stock, upon the death of its owner, may be subject to taxation first, by the Federal Government. then by the State where its owner was domiciled; then by some other State which may also claim him as a citizen; again in the State where the certificate of stock must be transferred on the corporation's books; in the State or States where is organized the corporation whose capital stock is involved; and. finally, in the State or States where this corporation owns property.

All this means not only an actual amount of tax which may under particular circumstances exceed 100% of the value of the stock, but the expense, delay

and inconvenience of getting clearances of the States who claim a right to tax the property is a serious burden to the heir who is to receive the stock. Particularly is this expense disproportionate to a tax paid by a small estate which has but a few shares of stock.

Mr. Bradford's address shows the complex situation as to death duties upon bonds, as follows:

"The taxation of bonds for death duties presents an equally interesting study. If the bond be deposited or be physically within the State, 31 States seek to impose a tax thereon, regardless of the domicile of the decedent. The right to impose such a tax was apparently upheld by the Supreme Court of the United States, Sohmer versus Wheeler, in 1913. This case, however, seems highly unsatisfactory as a precedent, because of the many different attitudes taken by the members of the court as it was then constituted. Twenty-one States seek to tax registered bonds wherever situated and by whomsoever owned, if the obligor of the bond be a citizen of, or a corporation incorporated by the taxing State.

"Assuming that the tax upon bonds issued by a resident debtor is valid, which is an assumption only, we would then have, on a railroad bond, for example, four or more States imposing a tax upon the full value of the property: The State of domicile, the State where the bond was physically located, the State of the corporation issuing the bond, and the United States. It is indeed perilous to die owning stocks and bonds of corporations of States other than the State of domicile of the owner.

"Seventeen States undertake to tax coupon bonds regardless of the situs of the bonds or the domicile of the decedent. This tax of course is abortive, and in the vast majority of cases wholly futile. How the State is to reach such property or collect such a tax, unless the decedent happen to have other property within the State that is subject to tax, I leave to the cross-word puzzle enthusiast or for fascinating speculation in some idle moment.

Since the Tax Conference was held the Supreme Court of the United States has upheld the right of the States to claim their death duties upon the full value of an estate, without allowance for that portion of it taken by the Federal taxes. The Federal law, however, makes allowance for death taxes collected by the states, up to 25 per cent.

The Secretary of the New York Tax-Reform Association, Mr. A. C. Pleydell, who has held that position for eighteen years, closes a recent discussion of estate taxation as follows:

Meanwhile residents of this State whose estates are sufficiently large to come under the Federal tax law had best examine their wills to make sure that some one for whom they think they have made provision does not acquire a deficit.

The ancient Romans had a custom pleasing to the revengeful, whereby a man could will his debts to an enemy, who had to accept the legacy. Our laws do not countenance exactly this procedure, but the same result can be accomplished if one studies the possibilities of multiple taxation of inheritances.

Motor Profits in 1924

The great success which attended the transfer of the ownership of the Dodge motor car business from the heirs of the original founders to the public has indicated no lack of confidence in the stability of the industry, and the earnings records of the leading companies in 1924, supports this attitude. The year was one of unsettled conditions and low net earnings in most of the industries, but the automobile manufactures as a rule came through with what under the circumstances must be regarded as a good showing.

It will be recalled that last year opened with general business and trade continuing at the high levels which characterized 1923, and many lines were expanding although there was no large placing of forward orders. The automobile trade had just made a record of over 4,000,000 passenger cars and trucks produced in 1923 as against only 2½ millions in 1922, and was confidently talking of raising this to 5 million in 1924. The unfavorable weather last Spring held back sales somewhat and brought the realization that the unusually large production during the Winter months in anticipation of a record-breaking Summer season was not justified and that there was actually an over-supply of cars available. The industry made a drastic revision downward of its production schedules, adjusting its output to sales and by maintaining this policy during the remaining months of the year and enjoying somewhat better demand in the late Summer and Fall was able to liquidate these surplus stocks of finished cars and raw material inventory and to close the year as an industry and by individual companies in a very sound position.

Under such circumstances it was natural to expect that operating profits would be small, but a perusal of the reports recently issued shows that many companies managed to make very satisfactory showings, although in most instances below the 1923 figures.

We give below a tabulation of earnings for the last three years of the more important manufacturers of passenger cars and trucks, also of parts and accessories, which issue public statements. These figure represent the net profits available for dividends or to carry to surplus, i.e., after all expenses, depreciation, interest, reserves and provision for taxes. Reports are for fiscal years ending December 31st in most cases.

MANUFACTURERS CARS AND TRUCKS
Net Profits (000 omitted)

	1922	1923	1924
Chandler Motor Car Company..	$1,706	$2,055	$1,348
Dodge Brothers, Inc.†	19,054	11,591	19,965
Durant Motors, Inc.	5,832	2,715	
Federal Motor Truck Co.	403	1,102	685
General Motors Corporation	51,496	62,068	45,331
Hudson Motor Car Company	7,243	8,004	8,073
Hupp Motor Corp.	3,764	2,636	1,095
Jordan Motor Car Co.	503	669	868
Mack Trucks, Inc.	3,952	7,004	6,220
Maxwell Motors Corp.	832	2,678	4,116
Moon Motor Car Co.	795	842	560
Nash Motors Corp.	7,613	8,984	9,281
Packard Motor Car Co.	2,116	7,082	4,805
Paige-Detroit Motor Car Co.	2,103	3,003	1,330
Peerless Truck & Motor Corp.	1,005	706	*1,694
Pierce-Arrow Motor Car. Co.	11	373	751
Reo Motor Car Co.	3,141	5,603	3,412
Studebaker Corp. of America	18,086	18,342	13,774
White Motor Co.	3,771	6,965	4,084
Willys-Overland Co.	2,780	13,034	2,087
Yellow Cab Mfg. Co.	3,039	4,020	2,742

*Deficit. †Before taxes.

MANUFACTURERS PARTS AND ACCESSORIES
Net Profits (000 omitted)

	1922	1923	1924
Bassick Alemite Corp.	$1,083	$1,423	$1,038
Borg & Beck Co.	485	374	309
Briggs Mfg. Co.	4,716	6,847	11,186
Continental Motors Corp.	1,470	1,937	2,503
Eaton Axle & Spring Co.	156	370	195
Edmunds & Jones Corp.	391	460	255
Electric Storage Battery Co.	7,571	7,217	7,211
Fisher Body Corp.	6,193	17,172	22,102
Hayes Wheel Co.	973	1,302	715
Kelsey Wheel Co.	1,802	1,757	1,118
Martin-Parry Corp.	402	653	381
McCord Radiator & Mfg. Co.	....	889	815
Midland Steel Products Co.	....	1,086	1,807
Motor Products Corp.	1,401	2,633	1,024
Motor Wheel Co.	693	1,292	1,800
Mullins Body Corp.	113	103	300
Reynolds Spring Co.	257	290	470
Spicer Mfg. Co.	513	1,076	969
Stewart-Warner Speedometer Co.	5,335	6,728	3,501
Stromberg Carburetor Co. of America	604	871	562
Timken Roller Bearing Co.	7,724	8,097	5,806

This list does not include the Ford Motor Company, which does not publish an earnings statement, but a comparison of its balance sheets of December 31, 1924 with the previous year shows a gain in surplus account of $100,-435,000. Ford's domestic sales last year were 1,874,000 cars, trucks and tractors of the 3,561,-000 total American output, or 52 per cent. General Motors Corporation, which makes the Cadillac, Buick, Chevrolet, Oakland, Oldsmobile, and G. M. C. Truck, as well as various parts and equipment, sold to dealers 587,341 cars and trucks, or 16.5 per cent of the total by number, although a much larger percentage by value. Dodge Brothers ranked third with 222,236.

Present Operations at Capacity

Advices received from Detroit and other centers indicate that most manufacturers have continued to increase production schedules since last December and that May and June operations will be near 100 per cent of capacity. According to the National Automobile Chamber of Commerce there were produced in December approximately 212,000 cars and trucks, January 231,000, February 278,000 and March 362,000. The March output was 382,000 in 1924, 355,000 in 1923, and 173,000 in 1922. These figures illustrate the marked seasonal character of the business, as evidenced by an increase of 70 per cent between last December and March, and also the tremendous growth in recent years. Annual output in 1924 was double that of five years previous, and six times as great as in 1914.

Policies of the Industry

While production has increased sharply this Spring it is claimed that this is entirely justified by orders from distributors and by the fact that no large quantity of cars was made up for stock during the Winter. Sales are reported as active in all sections of the country and agents say they cannot promise deliveries of certain models until mid-Summer. During the last few years the industry has gone through the "settling" process necessary in every line after a rapid evolution. Competition has been unusually keen and since cars were first made on a commercial scale twenty-five years ago, over a thousand of the smaller manufacturers have been forced to liquidate or to combine with others. The large and successful companies now use perfected quantity production methods, operate on a narrow margin of profit, enjoy a strong cash and working capital position, and are directed by experienced management. Due to improved engineering and manufacturing methods the purchaser of an automobile today secures higher quality than ever before and greater value, dollar for dollar, than for most other commodities, considering the price changes of recent years.

Distribution of the Industry's Receipts

The great receipts of the motor car industry are widely distributed. Its factories consume 11 per cent of the country's iron and steel production, 46 per cent of the aluminum, 52 per cent of the plate glass, 69 per cent of the upholstery leather, 15 per cent of the hardwood lumber, and 80 per cent of the crude rubber imported; also important quantities of copper, tin, lead, nickel, zinc, and cotton fabric. Motor cars furnish the principal market for petroleum, and production of gasolene and lubricating oil has increased five-fold in the last ten years, and with every month makes new high records. The motor industry today is one of the best barometers of business conditions. It represents, not including allied lines, a capital investment in plants estimated at $1,585,-000,000 and an annual product of $2,279,000,000 wholesale value. When it is running at near capacity, with manufacture balanced to retail sales, there is a vast flow of money distributed for wages and materials which later is spent for the products of other industries, while a falling off in automobile buying not only directly affects that and allied lines but is quickly reflected in decreased purchasing in motor centers. Detroit at the present time is having a boom in new building construction, both business and residential, and its growth in population in recent years has been phenomenal, raising it from a rank of twelfth among American cities in 1900 to fourth today.

Naturally the automobile industry is sensitive to fluctuations in general business activity and a depression in any section is quickly followed by a falling off in purchases of new cars, although this effect is lessened by the tendency to use the automobile for business as well as pleasure, and to economize on other things rather than cars. The widespread adoption of

the deferred payment plan of sale, on funds supplied from the commercial banking and investment markets by the "finance" and "acceptance" companies, is a factor which will have an important bearing on the situation in the event of a general slowing down of business.

The Bond Market

With an unabating investment demand in the face of a continuing small amount of new financing, particularly in the domestic field, bond prices continue firm, advances during the month generally outnumbering the declines in all departments. There is nothing immediately in sight to put money rates up or bond prices down. Dealers throughout the country report their shelves quite empty. New issues of merit are being rapidly absorbed. Among existing issues already in the market the heavy demand has been reflected in an improvement in price.

The Dow-Jones figures for the combined average of 40 bonds (10 high grade rails, 10 second-grade rails, 10 industrials and 10 public utilities) on April 25th was 92.12, as compared with 91.33 on March 25th of this year and 88.14 on April 25th a year ago. High grade rails have been acting most satisfactorily, such bonds as Burlington Refunding 5s and "Big Four" Refunding 5s showing the most improvement. The St. Paul receivership has had some effect upon second grade rail issues. Industrials and public utilities both continue firm with a volume of new offerings substantially below what the market is in position to absorb.

The volume of municipal financing, at present only moderate, apparently will continue on a level considerably below that of the past few years. Most states and municipalities have caught up pretty well with their construction programs, heavy borrowings during recent years having been in large part for work postponed during the war period. Indications are that from now on state and municipal borrowings will be on a more normal basis. It is certain that flotations for roads, schools and soldier bonus purposes, which have been making up the major portion of new municipal issues, will be substantially smaller. New issues find keen bidding from dealers everywhere. Prices continue slightly on the up grade.

The most important piece of industrial financing during the month and one of the largest in history was that of Dodge Brothers, embracing two substantial issues: 850,000 shares of preference stock and $75,000,000 of debentures. These securities were readily absorbed. Among the more important issues which have been marketed during the month were the following:

$75,000,000	Dodge Brothers, Inc., Conv. Debenture 6s, due May 1, 1940, price 99 and interest, to yield over 6.10 per cent.
850,000	(shares) Dodge Brothers, Inc., Preference Stock (no par value), cumulative dividends $7.00 per share, price $100 per share.
25,000,000	Missouri Pacific R. R. 1st & Ref. Series "E" 6s, due May 1, 1955, price 99¾ and interest.
20,000,000	Province of Ontario one and two year 3½ per cent Treasury Bills, due $10,000,000 April 22, 1926, and April 22, 1927, price 1926 maturity to yield 4 per cent and 1927 maturity 4⅛ per cent.
15,000,000	State of Sao Paulo (United States of Brazil) 25 yr. Secured S. F. External 8s, due January 1, 1950, price 99½ and interest, to yield 8.10 per cent.
14,000,000	Ujigway Electric Power Co., Ltd. (Ujigawa Denki Kabushiki Kaisha), First S. F. 7s, due March 15, 1945, price 91 and interest, to yield 7.90 per cent.
10,000,000	Columbia Gas & Electric Co. 3 yr. 5 per cent Notes, due May 1, 1928, price 100 and interest.
8,000,000	City of Oslo, Norway, 30 yr. S. F. 6s, due May 1, 1955, price 99½ and interest.
7,224,000	Chicago & North Western Railway Co. Equip. Trust 5s; $5,768,000 Series "O" maturing from Dec. 1, 1925, to Dec. 1, 1938, and $1,456,000 Series "P" from Feb. 1, 1926, to Feb. 1, 1939, average price 101.05 to yield about 4.80 per cent.
4,560,000	Los Angeles County, Calif., Sanitation District 5½, due 1926 to 1964, inclusive, prices to yield from 4.30 per cent to 5 per cent.
3,740,000	Province of Alberta, Canada, 5s, due April 15, 1950, price 100 and interest.

The stock market in the past month has been uneven, but on the whole has shown recovery from the demoralization experienced in March. The New York Times list of 50 stocks on April 28th averaged 106.08, against 112.85 on March 3, the high point for this year, and 101.16 on March 30, the low for the year. The high for these stocks in April last year was 86.27 and the low, 82.26.

The Beef Trust

The Royal Commission created by the British Government to investigate food prices had the Vestey brothers on the witness stand recently. Lord Vestey and Sir Edmund Vestey own packing establishments in Australia, New Zealand, Venezuela, Brazil, Argentina, Uruguay and Madagascar, and operate about 2,500 retail meat markets in England. They also conduct ranching operations, principally in Australia. They are under fire as a beef trust or part of the international beef trust. The testimony was interesting in its correspondence to the known facts of the meat industry in the United States, and also the public incredulity about them. The principal features of the testimony are given below, as taken from the London Times. Lord Vestey's testimony is abstracted by the Times as follows:

Most of the cattle were in the northern territory of Australia, where the company had a meat works at Port Darwin. They had on those stations at present more than 60,000 of their own cattle ready for killing, but were unable to kill them owing to the excessive cost of labour and other handling conditions, and consequently the works had remained closed for the past three years. It was more profit-

able to let the cattle die on the stations than to put them through the works at Port Darwin under existing conditions. When they were operating the works they complained to the Australian Government of the ruinous conditions; but labour conditions throughout Australia at that time were so serious that the Government could do nothing. During the last season they worked at Darwin the cost of operating the works and putting the meat f.o.b. steamer came to £10 6s. per head, exclusive of interest, depreciation, and the cost of the cattle themselves, compared with £1 15s. 8d. per head for the same operations in the River Plate. They had about 125,000 head of cattle in Venezuela. They did not own a single head in the Argentine Republic or Uruguay.

All the meat works were operated by the Union Cold Storage Company. By far the largest proportion of beef imported for consumption in the United Kingdom came from the River Plate, where there were eight large exporting firms, and this number would shortly be added to. All bought in open competition for the various works; there was no agreement whatever as to buying prices, competition for the various classes of cattle was very keen indeed, and there was an absolutely free and open market.

The accusation against the company of exercising control over the price of meat was absurd and wholly untrue. They were unable to control the price of meat in any way; it was solely a question of supply and demand. The root cause of the present price of beef was the fact that the Continent was now taking very large quantities, equal to about 1,250,000 cattle during 1924. But for that we should have beef cheaper today than it was before the war. The popular impression that there was a very large profit in the sale of imported meat was erroneous. Figures taken out showing the profits made upon every pound of meat shipped from their works in the Argentine Republic, for the 12 months ended December 31, 1924, including beef, sheep, lambs, and offal, gave a figure of only .213d. per lb., being less than one farthing per lb.

As nearly as they could ascertain, the total capacity of cold storage in this country was 47 to 48 million cubic feet; 38 millions were used principally for foodstuffs, and of this the Union Cold Storage Company owned about 33 per cent. Therefore, they had not a virtual monopoly of cold storage space, and they had not used the space to control the prices at which meat was sold. There was not a shortage of cold storage capacity in any town in England where there was any necessity for cold storage. The cold storage industry was suffering from great additions made during the war, and in a number of places they had found it necessary to close stores. In London over 70 per cent, of the space was to-day unoccupied.

Not one-third of the meat which came into London ever went into cold store at all. Since the trade had returned to its pre-war channels, the meat that was stored averaged very little, if any, more than one month's storage. Therefore, if cold storage were provided free, it would not make a difference of anything like one-eigth of a penny per pound upon the total supply of imported meat.

There were, it was estimated, from 40,000 to 45,000 retail butchers' shops in the country. Of these, the Union Cold Storage Company owned 2,356, which was between 5 per cent and 6 per cent of the whole. It was not true that the company financially controlled many shops other than those they owned. They had no interest whatever in any shop other than those which they owned outright. It had also been said that they controlled the retail price of meat. Nothing could be more absurd, as the company owned only between 5 per cent and 6 per cent of the shops. For the 12 months ending December 27, 1924, the profit upon the whole of the meat sold through 2,035 shops managed from London, which were spread over the whole country, was only .47d. per lb. (less than a halfpenny or cent) upon the meat sold. This was without any allowance for interest on capital employed in the business for depreciation of the shops. It was estimated that on the average 2½lb. per head was the weekly consumption of meat in this country. Therefore, if they were to give back to each of their customers the whole of the profit they made the difference to each customer would be less than 1¼d. per week. Multiple butchers' shops were of the greatest value in keeping down the retail price of meat, as they were run on a smaller margin than single butchers' shops could possibly be.

The company were being continuously, but most unjustly, attacked both in home and Colonial Press. The business was very successful, but the profits were moderate in view of the capital employed, and arose entirely from the enormous volume.

The Chairman.—You have been accused of exercising control over the price of meat. What proportion of chilled meat coming to this country comes through or in your hands?

Lord Vestey.—I have never taken out the figures. Eighteen to 20 per cent. About 60 per cent is in the hands of American shippers. It is impossible for us with only about 18 per cent to fix or in any way control the price. We don't and we can't.

Sir E. Vestey said that during the whole of the time they had been in business they had not had a single discussion with their competitors as to any price regulation. They had never made any agreement or been asked to do so. During the last 12 months the profit had been just over 1/5d. (2/5 of a cent) per pound. On the average of last year the profits on the English market were so small that they did not want to publish them. During the last six months they had worked for the English public for nothing.

The Chairman said he was deluged at intervals with letters saying that the policy of the present witnesses was to drive out, or in some way displace, existing retailers. He asked for names of retail organizations they had brought up and controlled.

Lord Vestey said he had given the names of the principal organizations in a letter and added some other names. Since taking over the British and Argentine Meat Company they had increased the number of shops trading under that name by, he should think, 1 or 2 per cent. He did not think those under the name of Eastmans had been increased more than 1 or 2 per cent. Eastmans, Fletchers, and the British and Argentine had probably 700 fewer shops thin in 1913. There was no truth in the statement that they were rapidly displacing all the retail butchers in the country by crushing out the small individual man.